

HUDSPETH REGIONAL CENTER



John P. Lipscomb, Ph.D.
Director

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COMPLIANCE REVIEW FINDINGS

July 9, 2004

Phil Bryant, State Auditor
Officer of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Bryant:

The Office of the State Auditor has completed its limited internal control an compliance review findings for the Hudspeth Regional Center for the Fiscal Year ending 2003. Please read each audit finding listed below along with our Responses and Corrective Action Plans.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS and INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

Controls over Receipts Should be Strengthened

Response:

There is only one office employee, the Administrative Assistant, at the Workshop which makes it difficult to divide up the job duties. The Workshop Director would verify all the Administrative Assistant's work.

Corrective Action Plan:

- A. There will be separate job duties for preparing and making deposits. The Administrative Assistant will prepare the deposits daily. The Production Assistant will take the deposit to the bank daily. Checks will be kept in the locked safe with only the Director and Administrative Assistant having access. A Production Assistant will distribute and mail the checks. The Director will open the mail and log any checks in the receipt book. The Administrative Assistant will verify the amount by initialing the receipt book. The Director will check the deposit receipts daily against the daily receipt log.
- B. Lisa Till, Morton Workshop Director, is responsible for the corrective action.
- C. Corrective Action has been completed.

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Response:

Hudspeth Industries would bring the check to the Business Office to make the deposit and the check was restrictively endorsed at that time by a Business Office employee.

Corrective Action Plan:

- A. An employee at Hudspeth Industries will restrictively endorse checks as they are received.
- B. Terri Frazier, Hudspeth Industries Director, is responsible for the corrective action.
- C. Correction action has been completed.

Discrepancies Between Agency Records and the Collateral Sufficiency Analysis Report Should Be Reported to the State Treasury.

Response:

Management was unaware that the five workshop bank accounts needed to be reported on the Collateral Sufficiency Analysis Report. Management was unaware that the three custodial accounts should not be reported on the Collateral Sufficiency Analysis Report.

Corrective Action Plan:

- A. Letters have been sent to the five workshop banks to inform them that these are state funds and need to be reported as such to the State Treasury. A letter has been sent to the State Treasury to take off the three custodial accounts from the Collateral Sufficiency Analysis Report. The Internal Auditor will check quarterly that these reports have been verified. A copy will be available for audit.
- B. Mary Murtagh, Business Director, is responsible for the corrective action.
- C. Correction action has been completed.

Controls Over Contractual Services Expenditures Should Be Strengthened

Response:

The Personal Accounts Officer should have noted at the time that there was not sufficient documentation and should have contacted the Group Home to get further documentation. The Group Home Director was contacted on 3/19/04, but had not kept a copy of the receipt. The Group Home Director stated that the contractual expenditure was spent on the client.

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Corrective Action Plan:

- A. The Personal Accounts Officer shall exercise more care in checking receipts for client expenditures. Management will check monthly the receipts for client expenditures. The Group Homes will keep a copy of all receipts in case the original receipt is lost in transit to the Business Office.
- B. The Personal Account Officer is responsible for the corrective action.
- C. The corrective action has been completed.

Response:

Prior to May 2003, client time sheets were not being signed and/or initialed however time sheets were being edited for accuracy by the floor supervisor and the workshop director.

Corrective Action Plan:

- A. A revised client time/production sheet has been implemented. The staff are initialing beside each time entry and checking for accuracy.
- B. Nancy Cline, Workshop Supervisor, is responsible for the corrective action.
- C. The corrective action has been completed.

Response:

It was not the Business Office policy to keep contracts for the Case Management clients on file in the Business Office. The apartment manager had sent the HUD form which stipulated the amount of rent. The rent had not increased, so there was not a current form on file.

Corrective Action Plan:

- A. The Personal Accounts Office will have on file current copies of leases and insurances for Case Management clients.
- B. The Personal Accounts Officer is responsible for the corrective action.
- C. The corrective action has been completed.

Policies and Procedures over Client Inventories Should be Implemented and Controls over Client Funds at Group Homes Should be Strengthened

Response:

The Group Home personnel should have been initialing the client snack money log as witnesses. The Group Home personnel inventory forms should have been up to date and the property should have been located by the Group Home director. A staff member independent of the shopper

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should have compared goods received with the receipts. A staff member should not have been listed on a client bank account since our policy clearly stated that only the client should be listed. The employee stated that the bank would not discuss the client's banking transactions without the employee name being listed on the account. There were policies and procedures that the staff should have been following. There were not any additional policies and procedures relating to personal property of Group Home clients.

Corrective Action Plan:

- A. The Group Home personnel have been inserviced on initialing the client snack money as witnesses. The Group Home directors are responsible for sending monthly client personal inventory and client clothing inventory forms to the Personal Accounts Officer to verify. The Personal Accounts Officer will quarterly check the snack money log at each group home for verification. The Personal Accounts Officer will also quarterly check the client's inventory of personal property and clothing inventory at each group home. This report will be given to the Internal Auditor to follow up on any additional checking. The employee has been taken off of the client personal checking accounts.
- B. The Director of Community Services is responsible for the corrective action.
- C. The corrective action has been completed.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

Interest Earned on Bank Accounts Should be Deposited into the State's General Fund and Maximum Account Balances Should not be Exceeded

Response:

During the Department of Audit visit, Hudspeth began sending the interest monthly to the state's General Fund from the five workshop accounts. Hudspeth sent the interest earned for the fiscal year 2003 also to the state's General Fund. Management had monthly contacted Tri-County Industries that the account balance needed to be spent down. Tri-County had ordered a vehicle to spend down the money, but it was several months before the vehicle was received.

Corrective Action Plan:

- A. Hudspeth five workshops will continue to send the monthly interest to the state's general fund. The maximum balance will be checked by management and the Workshop directors monthly to ensure that the accounts do not exceed the maximum balance mandated by the State Fiscal Officer. The Internal Auditor will periodically check this.

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- B. Mary Murtagh, Business Director, is responsible for the corrective action.
- C. The corrective action is completed.

Employee Leave should be Accrued in Accordance with State Law

Response:

The Personnel Director did not know that one part-time employee was not accruing personal and major medical leave on a pro-rata basis.

Corrective Action Plan:

- A. Corrective action was taken at the time that this was brought to our attention by the auditors. Part-time employees accrue leave on a pro-rata basis in accordance with the State Personnel Board Pro-Rata Personal and Major Medical Leave table.
- B. Avery Slay, Personnel Director, is responsible for the corrective action.
- C. The corrective action has been completed.

Adequate Bond Coverage Should be Obtained for Security Guards

Response:

The bond had been completed, but management did not follow up on the application being returned from the bonding company.

Corrective Action Plan:

- A. As Security Guards are hired, the Chief of Security will be responsible for having the employee complete the application during our orientation and giving the application to management. Management will have a tickler file to ensure that the application is returned from the bonding company in a timely manner.
- B. Avery Slay, Personnel Director, is responsible for the corrective action.
- C. The corrective action has been completed.

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If you have any questions concerning this letter, please call me at 664-6000.

Sincerely,

A handwritten signature in black ink, appearing to read "John P. Lipscomb", written over a horizontal line.

John P. Lipscomb, Ph.D., Director
Hudspeth Regional Center

PC Mary Murtagh, Business Director
Alice Gullledge, Internal Auditor